

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Maquoketa Valley Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Donna Kunde	President	2007
Justin Nieman	Vice President	2008
Gene Schultz	Board Member	2006
Leola Kay Harris	Board Member	2006
John Zietlow	Board Member	2008

Board of Education (After September 2006 Election)		
Justin Nieman	President	2008
Donna Kunde	Vice President	2007
Tom Kramer	Board Member	2009
Leola Kay Harris	Board Member	2009
John Zietlow	Board Member	2008

School Officials

Doug Tuetken	Superintendent	2007
Donna Pilgrim	District Secretary/ Business Manager	2007
Sue Seitz	Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Maquoketa Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Maquoketa Valley Community School District, Delhi, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Maquoketa Valley Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2008 on our consideration of Maquoketa Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Maquoketa Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maquoketa Valley Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,719,857 in fiscal 2006 to \$6,983,722 in fiscal 2007, while General Fund expenditures increased from \$6,495,878 in fiscal 2006 to \$6,884,628 in fiscal 2007. This resulted in an increase in the District's fund balance from \$1,277,249 in fiscal 2006 to \$1,376,343 in fiscal 2007, which was a 7.8% increase from the prior year.
- An increase in local option sales and service tax during the year, allowed the Capital Projects fund balance to increase from \$666,538 to \$744,981. It also allowed for a \$225,000 transfer to the Debt Service to pay for a portion of the District's bonded indebtedness.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Maquoketa Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how the governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Maquoketa Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Maquoketa Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

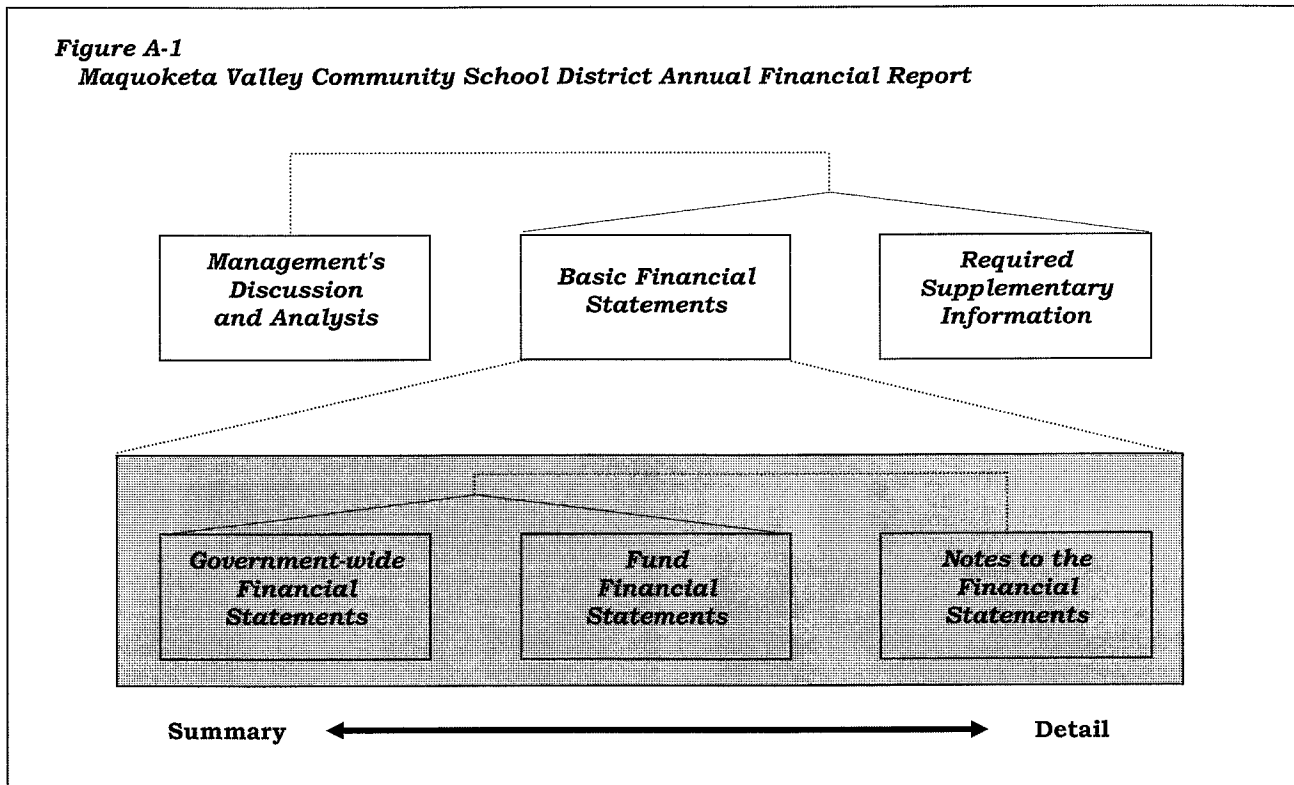


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is a trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 6,362,082	6,008,236	126,510	111,147	6,488,592	6,119,383	6.03%
Capital assets	9,294,831	9,368,089	55,617	76,561	9,350,448	9,444,650	-1.00%
Total assets	15,656,913	15,376,325	182,127	187,708	15,839,040	15,564,033	1.77%
Long-term obligations	5,724,390	6,080,766	0	0	5,724,390	6,080,766	-5.86%
Other liabilities	3,593,104	3,701,873	4,469	5,902	3,597,573	3,707,775	-2.97%
Total liabilities	9,317,494	9,782,639	4,469	5,902	9,321,963	9,788,541	-4.77%
Net assets:							
Invested in capital assets, net of related debt	3,939,831	4,478,103	55,617	76,561	3,995,448	4,554,664	-12.28%
Restricted	1,168,317	139,820	0	0	1,168,317	139,820	735.59%
Unrestricted	1,231,271	975,763	122,041	105,245	1,353,312	1,081,008	25.19%
Total net assets	\$ 6,339,419	5,593,686	177,658	181,806	6,517,077	5,775,492	12.84%

The District's combined net assets increased by approximately 12.84% compared to the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 735.59% from the prior year. This dramatic increase is due to a change in the way restricted assets are calculated as compared to the previous year. In previous years, the balance of the Capital Projects Fund as well as the balance of the Debt Service Fund was added

back to the invested in capital assets net of related debt. Beginning this year, the fund balances for these two funds is considered a restricted balance unless the District has construction in progress, then the balance of the bond proceeds construction account would be added back to the invested in capital assets net of related debt.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased 25.19% over the prior year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 449,846	491,285	223,148	201,418	672,994	692,703	-2.85%
Operating grants and contributions and restricted interest	869,069	792,582	149,597	146,887	1,018,666	939,469	8.43%
General revenues:							
Property tax	3,473,022	3,284,494	0	0	3,473,022	3,284,494	5.74%
Local option sales and service tax	496,201	409,115	0	0	496,201	409,115	21.29%
Unrestricted state grants	2,979,574	3,031,088	0	0	2,979,574	3,031,088	-1.70%
Other	207,392	342,779	3,848	2,806	211,240	345,585	-38.87%
Total revenues	8,475,104	8,351,343	376,593	351,111	8,851,697	8,702,454	1.71%
Program expenses:							
Governmental activities:							
Instructional	4,440,563	4,588,514	0	0	4,440,563	4,588,514	-3.22%
Support services	2,532,051	2,388,599	13,590	9,027	2,545,641	2,397,626	6.17%
Non-instructional programs	0	0	367,151	347,547	367,151	347,547	5.64%
Other expenses	756,757	971,571	0	0	756,757	971,571	-22.11%
Total expenses	7,729,371	7,948,684	380,741	356,574	8,110,112	8,305,258	-2.35%
Change in net assets	745,733	402,659	(4,148)	(5,463)	741,585	397,196	86.71%
Net assets beginning of year	5,593,686	5,191,027	181,806	187,269	5,775,492	5,378,296	7.39%
Net assets end of year	\$ 6,339,419	5,593,686	177,658	181,806	6,517,077	5,775,492	12.84%

In fiscal 2007, property tax and unrestricted state grants account for 76.14% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.98% of the revenue from business type activities.

The District's total revenues were approximately \$8.86 million of which \$8.48 million was for governmental activities and approximately \$0.38 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 1.71% in revenues and a 2.35% decrease in expenses. The decrease in expenditures related to reductions in the amount of expenses in the other expenses function across the governmental funds.

Governmental Activities

Revenues for governmental activities were \$8,475,104 and expenses were \$7,729,371.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 4,440,563	4,588,514	-3.22%	3,412,081	3,602,517	-5.29%
Support services	2,532,051	2,388,599	6.01%	2,520,667	2,363,686	6.64%
Other expenses	756,757	971,571	-22.11%	477,708	698,614	-31.62%
Totals	<u>\$ 7,729,371</u>	<u>7,948,684</u>	<u>-2.76%</u>	<u>6,410,456</u>	<u>6,664,817</u>	<u>-3.82%</u>

- A portion of the cost financed by users of the District's programs was \$449,846.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$869,069.
- The net cost portion of governmental activities was financed with \$3,473,022 in property tax, \$496,201 in local option sales and services tax, \$2,979,574 in unrestricted state grants, and unrestricted investment earnings of \$134,492.

Business-Type Activities

The District's only business-type activity is the School Nutrition Fund. Revenues of the District's business-type activities totaled \$376,593 in 2007. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses of the District's business-type activities were \$380,741 in 2007.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Maquoketa Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$2,785,527, an increase of \$306,693 above last years ending fund balances of \$2,478,834.

Governmental Fund Highlights

- The increase in revenues in the General Fund was primarily due to an increase in local sources. The increase in expenditures was primarily due to increases in instructional and support services expenses. The increase in revenues was enough to offset the increase in expenditures, to ensure the increase in the fund balance by \$99,094.
- The Capital Projects fund balance increased \$78,443 due to the District receiving more in local option sales and service tax during fiscal 2007.

- The Physical Plant and Equipment Levy fund balance increased \$16,318. Although revenues decreased and expenditures increased as compared to fiscal 2006, the PPEL fund balance was still able to show the increase in fund balance.
- The revenues increased in the Debt Service Fund, despite the decrease in taxes levied. A transfer of local option sales and service tax (LOSST) monies from the Capital Projects fund of \$225,000 was used to help payoff the Districts bonded indebtedness.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$181,806 at June 30, 2006 to \$177,658 at June 30, 2007, representing a decrease of 2.3%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$37,479 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$9,350,448, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$378,236.

The original cost of the District's capital assets was \$13,026,195. Governmental funds account for \$12,761,702, with the remainder of \$264,493 accounted for in the Proprietary School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$354,441 at June 30, 2007, compared to \$254,848 reported at June 30, 2006. The increase in machinery and equipment was due to the District's purchase of a two new buses and a minivan during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 50,079	50,079	0	0	50,079	50,079	0.00%
Buildings	8,473,698	8,668,496	0	0	8,473,698	8,668,496	-2.25%
Improvements other than buildings	472,230	471,227	0	0	472,230	471,227	0.21%
Machinery and equipment	298,824	178,287	55,617	76,561	354,441	254,848	39.08%
Total	\$ 9,294,831	9,368,089	55,617	76,561	9,350,448	9,444,650	-1.00%

Long-Term Debt

At year-end, the District had \$5,724,390 in general obligation and other long-term debt outstanding. This represents a decrease of 5.9% from last year's balance of \$6,080,766. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 5,355,000	5,605,000	-4.5%
Early retirement	369,390	475,766	-22.4%
Totals	\$ 5,724,390	6,080,766	-5.9%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- The District 2007-2008 certified enrollment decreased 49.3 students, and a steady decline is expected in the future.
- Economic development within the District does not attract businesses that would significantly increase the assessed valuation, which shifts the funding to property taxes.
- Local options sales and service tax collections have allowed the district to pay a portion of the bonded indebtedness, thus reducing the amount of taxes levied in the Debt Service fund.
- The increases in utility and transportation costs are still a concern.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Donna Pilgrim, Board Secretary, Maquoketa Valley Community School District, 210 South Street, P.O. Box 186, Delhi, Iowa, 52223.

BASIC FINANCIAL STATEMENTS

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,640,757	119,303	2,760,060
Receivables			
Property tax:			
Delinquent	57,294	0	57,294
Succeeding year	3,493,533	0	3,493,533
Interest	10,214	0	10,214
Accounts	209	0	209
Due from other governments	160,075	0	160,075
Inventories	0	7,207	7,207
Capital assets, net of accumulated depreciation (Note 4)	9,294,831	55,617	9,350,448
Total Assets	15,656,913	182,127	15,839,040
Liabilities			
Accounts payable	61,876	0	61,876
Salaries and benefits payable	20,949	0	20,949
Accrued interest payable	16,549	0	16,549
Deferred revenue:			
Succeeding year property tax	3,493,533	0	3,493,533
Other	197	0	197
Unearned revenue	0	4,469	4,469
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds payable	410,000	0	410,000
Early retirement	87,742	0	87,742
Portion due after one year:			
General obligation bonds payable	4,945,000	0	4,945,000
Early retirement	281,648	0	281,648
Total Liabilities	9,317,494	4,469	9,321,963
Net Assets			
Invested in capital assets, net of related debt	3,939,831	55,617	3,995,448
Restricted for:			
Salary improvement program	137	0	137
Additional teacher contract day	5,587	0	5,587
Professional development	4	0	4
Market factor	6,009	0	6,009
Phase II	847	0	847
Talented and gifted	2,857	0	2,857
Physical plant and equipment levy	85,061	0	85,061
Capital projects	744,981	0	744,981
Debt service	232,624	0	232,624
Other special revenue purposes	90,210	0	90,210
Unrestricted	1,231,271	122,041	1,353,312
Total Net Assets	\$ 6,339,419	177,658	6,517,077

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Expenses	Operating Grants, Contributions and Restricted Services Interest		Govern- mental Activities	Business- Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 3,032,716	239,909	500,925	(2,291,882)	0	(2,291,882)
Special instruction	718,045	39,996	46,954	(631,095)	0	(631,095)
Other instruction	689,802	169,892	30,806	(489,104)	0	(489,104)
	4,440,563	449,797	578,685	(3,412,081)	0	(3,412,081)
Support services:						
Student services	451,747	0	0	(451,747)	0	(451,747)
Instructional staff services	254,587	0	0	(254,587)	0	(254,587)
Administration services	766,278	0	0	(766,278)	0	(766,278)
Operation and maintenance of plant services	702,644	0	0	(702,644)	0	(702,644)
Transportation services	356,795	49	11,335	(345,411)	0	(345,411)
	2,532,051	49	11,335	(2,520,667)	0	(2,520,667)
Other expenditures:						
Facilities acquisitions	3,836	0	0	(3,836)	0	(3,836)
Long-term debt interest	206,867	0	0	(206,867)	0	(206,867)
AEA flowthrough	279,049	0	279,049	0	0	0
Depreciation (unallocated) *	267,005	0	0	(267,005)	0	(267,005)
	756,757	0	279,049	(477,708)	0	(477,708)
Total governmental activities	7,729,371	449,846	869,069	(6,410,456)	0	(6,410,456)
Business-Type activities:						
Support services:						
Administration services	3,798	0	0	0	(3,798)	(3,798)
Operation and maintenance of plant services	9,792	0	0	0	(9,792)	(9,792)
	13,590	0	0	0	(13,590)	(13,590)
Non-instructional programs:						
Nutrition services	367,151	223,148	149,597	0	5,594	5,594
Total business-type activities	380,741	223,148	149,597	0	(7,996)	(7,996)
Total	\$ 8,110,112	672,994	1,018,666	(6,410,456)	(7,996)	(6,418,452)
General Revenues & Transfers:						
General Revenues:						
Property tax levied for:						
General purposes			\$ 3,012,987	0	3,012,987	
Debt service			387,513	0	387,513	
Capital outlay			72,522	0	72,522	
Local option sales and services tax			496,201	0	496,201	
Unrestricted state grants			2,979,574	0	2,979,574	
Unrestricted investment earnings			134,492	3,848	138,340	
Other general revenues			76,919	0	76,919	
Transfers			(4,019)	0	(4,019)	
Total general revenues & transfers			7,156,189	3,848	7,160,037	
Changes in net assets			745,733	(4,148)	741,585	
Net assets beginning of year			5,593,686	181,806	5,775,492	
Net assets end of year			\$ 6,339,419	177,658	6,517,077	

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 1,335,843	100,892	635,332	568,690	2,640,757
Receivables:					
Property tax:					
Delinquent	45,595	1,194	0	10,505	57,294
Succeeding year	2,836,383	73,060	0	584,090	3,493,533
Interest	5,572	463	3,423	756	10,214
Accounts	109	0	0	100	209
Due from other governments	52,834	0	107,241	0	160,075
Total Assets	\$ 4,276,336	175,609	745,996	1,164,141	6,362,082
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 42,568	17,488	1,015	805	61,876
Salaries and benefits payable	20,845	0	0	104	20,949
Deferred revenue:					
Succeeding year property tax	2,836,383	73,060	0	584,090	3,493,533
Other	197	0	0	0	197
Total liabilities	2,899,993	90,548	1,015	584,999	3,576,555
Fund balances:					
Reserved for:					
Debt Service	0	0	0	232,624	232,624
Salary improvement program	137	0	0	0	137
Additional teacher contract day	5,587	0	0	0	5,587
Professional development	4	0	0	0	4
Market factor	6,009	0	0	0	6,009
Phase II	847	0	0	0	847
Talented and gifted	2,857	0	0	0	2,857
Unreserved	1,360,902	85,061	744,981	346,518	2,537,462
Total fund balances	1,376,343	85,061	744,981	579,142	2,785,527
Total Liabilities and Fund Balances	\$ 4,276,336	175,609	745,996	1,164,141	6,362,082

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 2,785,527
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	9,294,831
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(16,549)
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,724,390)</u>
Net assets of governmental activites (page 13)	<u>\$ 6,339,419</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 2,763,095	72,522	496,201	637,405	3,969,223
Tuition	232,443	0	0	0	232,443
Other	172,768	3,163	35,517	250,167	461,615
State sources	3,584,305	44	0	382	3,584,731
Federal sources	231,111	0	0	0	231,111
Total revenues	6,983,722	75,729	531,718	887,954	8,479,123
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	2,975,766	0	24,501	130,065	3,130,332
Special instruction	718,045	0	0	0	718,045
Other instruction	519,983	0	0	194,271	714,254
	4,213,794	0	24,501	324,336	4,562,631
Support services:					
Student services	451,747	0	0	0	451,747
Instructional staff services	252,583	0	0	2,004	254,587
Administration services	763,522	0	0	2,756	766,278
Operation and maintenance of plant services	632,234	38,227	0	45,951	716,412
Transportation services	291,699	13,500	134,412	8,261	447,872
	2,391,785	51,727	134,412	58,972	2,636,896
Other expenditures:					
Facilities acquisitions	0	7,684	69,362	0	77,046
Long-term debt:					
Principal	0	0	0	250,000	250,000
Interest	0	0	0	362,789	362,789
AEA flowthrough	279,049	0	0	0	279,049
	279,049	7,684	69,362	612,789	968,884
Total expenditures	6,884,628	59,411	228,275	996,097	8,168,411
Excess(deficiency) of revenues over(under) expenditures	99,094	16,318	303,443	(108,143)	310,712
Other financing sources(uses):					
Transfers in	0	0	0	225,000	225,000
Transfers out	0	0	(225,000)	(4,019)	(229,019)
Total other financing sources(uses)	0	0	(225,000)	220,981	(4,019)
Net change in fund balances	99,094	16,318	78,443	112,838	306,693
Fund balances beginning of year	1,277,249	68,743	666,538	466,304	2,478,834
Fund balances end of year	\$ 1,376,343	85,061	744,981	579,142	2,785,527

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds(page 17) \$ 306,693

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 281,927	
Depreciation expense	<u>(355,185)</u>	(73,258)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Repaid	250,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

155,922

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>106,376</u>
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Changes in net assets of governmental activities(page 14)	<u><u>\$ 745,733</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and pooled investments	\$ 119,303
Inventories	7,207
Capital assets, net of accumulated depreciation(Note 4)	<u>55,617</u>
Total Assets	<u>182,127</u>
Liabilities	
Unearned revenue	<u>4,469</u>
Total Liabilities	<u>4,469</u>
Net Assets	
Invested in capital assets	55,617
Unrestricted	<u>122,041</u>
Total Net Assets	<u><u>\$ 177,658</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2007

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	<u>\$ 223,148</u>
OPERATING EXPENSES:	
Support services:	
Administration:	
Salaries	3,794
Other	4
Operation and maintenance of plant services:	
Services	7,521
Supplies	<u>2,271</u>
	<u>13,590</u>
Non-instructional programs:	
Food service operations:	
Salaries	145,163
Benefits	19,999
Services	465
Supplies	178,241
Other	232
Depreciation	<u>23,051</u>
	<u>367,151</u>
TOTAL OPERATING EXPENSES	<u>380,741</u>
OPERATING LOSS	<u>(157,593)</u>
NON-OPERATING REVENUES:	
State sources	4,883
Federal sources	144,714
Interest income	<u>3,848</u>
TOTAL NON-OPERATING REVENUES	<u>153,445</u>
Change in net assets	(4,148)
Net assets beginning of year	<u>181,806</u>
Net assets end of year	<u><u>\$ 177,658</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

Exhibit I

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 214,302
Cash received from miscellaneous operating activities	8,801
Cash payments to employees for services	(168,956)
Cash payments to suppliers for goods or services	(168,194)
Net cash used in operating activities	<u>(114,047)</u>
Cash flows from non-capital financing activities:	
State grants received	4,883
Federal grants received	121,929
Net cash provided by non-capital financing activities	<u>126,812</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	<u>(2,107)</u>
Cash flows from investing activities:	
Interest on investments	<u>3,848</u>
Net increase in cash and cash equivalents	14,506
Cash and cash equivalents at beginning of year	<u>104,797</u>
Cash and cash equivalents at end of year	<u>\$ 119,303</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (157,593)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	22,785
Depreciation	23,051
Increase in inventories	(857)
Decrease in accounts payable	(1,388)
Decrease in unearned revenue	(45)
Net cash used in operating activities	<u>\$ (114,047)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 119,303</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$22,785.

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	\$ 4,213
Interest receivable	19
Total Assets	<u>4,232</u>
Liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u>\$ 4,232</u>

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Revenues:	
Local sources:	
Interest income	\$ 213
Expenditures	0
Excess of revenues over expenditures	213
Other financing sources:	
Transfer in	4,019
Change in net assets	4,232
Net assets beginning of year	0
Net assets end of year	\$ 4,232

SEE NOTES TO FINANCIAL STATEMENTS.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) Summary of Significant Accounting Policies

The Maquoketa Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, special education and pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Delhi, Earlville and Hopkinton, Iowa, and the predominate agricultural territory in Delaware county. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Maquoketa Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Maquoketa Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Delaware County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue - Physical Plant and Equipment Levy(PPEL) Fund is used to account for resources used in building improvements and equipment purchases.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	225,000
Private-Purpose Trust	Expendable Trust	<u>4,019</u>
Total		<u>\$ 229,019</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 50,079	0	0	50,079
Total capital assets not being depreciated	50,079	0	0	50,079
Capital assets being depreciated:				
Buildings	10,655,246	30,172	0	10,685,418
Land improvements	879,303	43,038	0	922,341
Machinery and equipment	1,136,560	208,717	241,413	1,103,864
Total capital assets being depreciated	12,671,109	281,927	241,413	12,711,623
Less accumulated depreciation for:				
Buildings	1,986,750	224,970	0	2,211,720
Land improvements	408,076	42,035	0	450,111
Machinery and equipment	958,273	88,180	241,413	805,040
Total accumulated depreciation	3,353,099	355,185	241,413	3,466,871
Total capital assets being depreciated, net	9,318,010	(73,258)	0	9,244,752
Governmental activities capital assets, net	\$ 9,368,089	(73,258)	0	9,294,831
Business-type activities:				
Machinery and equipment	\$ 264,070	2,107	1,684	264,493
Less accumulated depreciation	187,509	23,051	1,684	208,876
Business-type activities capital assets, net	\$ 76,561	(20,944)	0	55,617

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 10,696
Other	13,504
Support services:	
Operation and maintenance of plant	4,063
Transportation	59,917
	88,180
Unallocated depreciation	267,005
Total governmental activities depreciation expense	\$ 355,185
Business-type activities:	
Food services	\$ 23,051

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 5,605,000	0	250,000	5,355,000	410,000
Early retirement	475,766	0	106,376	369,390	87,742
Total	\$ 6,080,766	0	356,376	5,724,390	497,742

Bonded Debt

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of September 1, 2005			
		Principal	Interest	Total	
2008	3.40	% \$ 410,000	198,590	608,590	
2009	3.40	420,000	184,650	604,650	
2010	3.40	435,000	170,370	605,370	
2011	3.50	450,000	155,580	605,580	
2012	3.55	465,000	139,830	604,830	
2013	3.65	480,000	123,322	603,322	
2014-2018	3.75-4.05	2,695,000	692,054	3,387,054	
Total		\$ 5,355,000	1,664,396	7,019,396	

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. The employee must have worked an average of twenty-five or more hours per week and during the last 15 years the employee has worked at least thirty-six weeks per year. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 35% of the employee's base salary calculated by using the current year regular salary schedule, less any other additional pay. The District paid \$106,376 in early retirement benefits during the year ended June 30, 2007.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$244,069, \$238,086, \$232,837, respectively, equal to the required contributions for each year.

(7) Risk Management

Maquoketa Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$279,049 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,663,281	226,996	4,890,277	4,753,025	4,753,025	137,252
State sources	3,584,731	4,883	3,589,614	3,730,170	3,730,170	(140,556)
Federal sources	231,111	144,714	375,825	410,000	410,000	(34,175)
Total revenues	8,479,123	376,593	8,855,716	8,893,195	8,893,195	(37,479)
Expenditures:						
Instruction	4,562,631	0	4,562,631	5,677,150	5,677,150	1,114,519
Support services	2,636,896	13,590	2,650,486	3,571,937	3,571,937	921,451
Non-instructional programs	0	367,151	367,151	571,769	571,769	204,618
Other expenditures	968,884	0	968,884	1,014,940	1,014,940	46,056
Total expenditures	8,168,411	380,741	8,549,152	10,835,796	10,835,796	2,286,644
Excess(deficiency) of revenues over(under) expenditures	310,712	(4,148)	306,564	(1,942,601)	(1,942,601)	2,249,165
Other financing sources, net	(4,019)	0	(4,019)	0	0	(4,019)
Excess(deficiency) of revenues over(under) expenditures and other financing uses	306,693	(4,148)	302,545	(1,942,601)	(1,942,601)	2,245,146
Balance beginning of year	2,478,834	181,806	2,660,640	2,191,124	2,191,124	469,516
Balance end of year	\$ 2,785,527	177,658	2,963,185	248,523	248,523	2,714,662

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Special Revenue Funds				Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	
Assets					
Cash and pooled investments	\$ 252,189	91,014	343,203	225,487	568,690
Receivables:					
Property tax:					
Current year delinquent	4,124	0	4,124	6,381	10,505
Succeeding year	275,000	0	275,000	309,090	584,090
Interest	0	0	0	756	756
Accounts	0	100	100	0	100
Total Assets	\$ 531,313	91,114	622,427	541,714	1,164,141
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 5	800	805	0	805
Salaries and benefits payable	0	104	104	0	104
Deferred revenue:					
Succeeding year property tax	275,000	0	275,000	309,090	584,090
Total Liabilities	275,005	904	275,909	309,090	584,999
Fund balances:					
Reserved:					
Debt Service	0	0	0	232,624	232,624
Unreserved	256,308	90,210	346,518	0	346,518
Total fund balances	256,308	90,210	346,518	232,624	579,142
Total Liabilities and Fund Balances	\$ 531,313	91,114	622,427	541,714	1,164,141

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Expendable Trust	Total	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 249,892	0	0	249,892	387,513	637,405
Other	16,714	221,734	0	238,448	11,719	250,167
State sources	148	0	0	148	234	382
TOTAL REVENUES	266,754	221,734	0	488,488	399,466	887,954
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	130,065	0	0	130,065	0	130,065
Other instruction	0	194,271	0	194,271	0	194,271
Support services:						
Instructional staff	2,004	0	0	2,004	0	2,004
Administration services	2,756	0	0	2,756	0	2,756
Operation and maintenance of plant services	45,951	0	0	45,951	0	45,951
Student transportation	8,261	0	0	8,261	0	8,261
Other expenditures:						
Long-term debt:						
Principal	0	0	0	0	250,000	250,000
Interest	0	0	0	0	362,789	362,789
TOTAL EXPENDITURES	189,037	194,271	0	383,308	612,789	996,097
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	77,717	27,463	0	105,180	(213,323)	(108,143)
OTHER FINANCING SOURCES(USES):						
Transfers in	0	0	0	0	225,000	225,000
Transfers out	0	0	(4,019)	(4,019)	0	(4,019)
Total other financing sources(uses)	0	0	(4,019)	(4,019)	225,000	220,981
NET CHANGE IN FUND BALANCE	77,717	27,463	(4,019)	101,161	11,677	112,838
FUND BALANCE BEGINNING OF YEAR	178,591	62,747	4,019	245,357	220,947	466,304
FUND BALANCE END OF YEAR	\$ 256,308	90,210	0	346,518	232,624	579,142

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama & Speech	\$ 2,118	9,632	10,682	1,068
Music	11,170	14,981	25,669	482
Athletics Middle School	50	1,105	1,155	0
Iron Man/Weight Room	948	0	0	948
Cross Country	1,461	0	1,010	451
Boys Basketball	4,897	11,831	13,319	3,409
Football	1,403	8,605	2,039	7,969
Baseball	100	3,484	2,271	1,313
Boys Track	217	1,300	1,438	79
Wrestling	0	1,586	343	1,243
Girls Basketball	1,924	15,580	11,986	5,518
Volleyball	0	1,695	1,064	631
Softball	337	2,634	1,147	1,824
Girls Track	332	1,275	0	1,607
Post Prom	3,753	13,426	14,144	3,035
German	1,087	0	0	1,087
Spanish	10,088	6,040	7,919	8,209
Student Council	1,436	1,472	1,751	1,157
Spirit Club	0	760	560	200
Drill Team	2,790	2,619	1,367	4,042
Color Guard	604	0	108	496
Yearbook	7,256	11,077	11,184	7,149
Earlville Elem.	7,533	1,349	1,278	7,604
Johnston Elem.	8,740	1,273	743	9,270
Delhi Elem.	6,841	5,285	5,211	6,915
Music Dept Trip	0	10,844	1,597	9,247
Band Uniform	2,797	71	0	2,868
Art	36	0	0	36
Golf	(50)	50	0	0
FFA	(309)	21,462	20,585	568
Class of 06	359	0	359	0
Class of 07	1,480	1,910	3,390	0
Class of 08	726	3,994	3,187	1,533
Class of 09	444	346	86	704
Class of 10	174	210	53	331
Assemblies	2,596	0	0	2,596
Student Services	(20,591)	65,838	48,626	(3,379)
Total	\$ 62,747	221,734	194,271	90,210

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

		Modified Accrual Basis			
		Years Ended June 30,			
		2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$	3,969,223	3,693,609	3,648,364	3,419,986
Tuition		232,443	197,019	170,199	191,156
Other		461,615	637,045	391,206	365,966
State sources		3,584,731	3,593,272	3,580,337	3,292,486
Federal sources		231,111	230,398	231,511	235,414
Total	\$	8,479,123	8,351,343	8,021,617	7,505,008
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$	3,130,332	3,086,546	3,046,995	3,338,473
Special instruction		718,045	707,322	572,247	770,323
Other instruction		714,254	687,782	888,338	722,273
Support services:					
Student services		451,747	223,028	203,075	201,290
Instructional staff services		254,587	241,523	185,982	171,906
Administration services		766,278	793,089	754,983	731,626
Operation and maintenance of plant services		716,412	715,716	742,104	670,199
Transportation services		447,872	329,547	375,104	340,644
Other expenditures:					
Facilities acquisitions		77,046	20,615	76,052	84,883
Long-term debt:					
Principal		250,000	350,000	335,000	320,000
Interest		362,789	282,665	298,643	313,422
AEA flowthrough		279,049	272,957	273,089	273,552
Total	\$	8,168,411	7,710,790	7,751,612	7,938,591

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Maquoketa Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Maquoketa Valley Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Maquoketa Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Maquoketa Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Maquoketa Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Maquoketa Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Maquoketa Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by Maquoketa Valley Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Maquoketa Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maquoketa Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Maquoketa Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Maquoketa Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Maquoketa Valley Community School District and other parties to whom Maquoketa Valley Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Maquoketa Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 14, 2008

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Receipts are posted and bank deposits are prepared by the same person, but they are verified and compared to bank deposits by a separate individual. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible. Substantial checks and balances have been implemented to reduce the opportunity for theft of cash.

Conclusion - Response accepted.

- I-B-07 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events and receipts the money into the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the General Fund; therefore the appropriate place to record rental of facilities would be the General Fund.

Response - In the future, we will record rental of facilities in the General Fund when hosting these events.

Conclusion - Response accepted.

- I-C-07 Student Activity Fund - During our audit we noted that Target and Box Top donations were being receipted into the Activity Fund.

Recommendation - Donations made to a District should be placed in the most appropriate place based upon the donor request. Target and Box Tops donates to schools for instructional materials and supplies. The most logical place to record the revenue and subsequent purchase would be the General Fund. The District should record future donations from Target and Box Tops in the General Fund.

Response - We will receipt Target and Box Top donations into the General Fund in the future.

Conclusion - Response accepted.

I-D-07 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - Coaches who are non-certified staff will be required to record and subsequently submit to central office hours coached during the season.

Conclusion - Response accepted.

MAQUOKETA VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported on Line 1 was overstated by one student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We have contacted the Department of Education and the Department of Management to resolve the matter.

Conclusion - Response accepted.

- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-07 Financial Condition - The District has one negative account within the Special Revenue, Student Activity Fund totaling \$3,379.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

Response - We have implemented a budget for these accounts and will monitor these accounts to eliminate the deficits.

Conclusion - Response accepted.

II-K-07 Physical Plant and Equipment Levy (PPEL) Expenditures - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. We noted during our audit that the District purchased an air conditioning unit from the PPEL Fund for \$499. This expenditure, which is less than \$500 per single unit, is inappropriate from the PPEL Fund.

Recommendation - The District should review the Code of Iowa with regard to allowable expenditures from the PPEL Fund to avoid non compliance. The District should make a corrective transfer to the PPEL Fund from the General Fund for \$499.

Response - We have allowable equipment which was paid from the General Fund that would have qualified as PPEL Fund expenditures. Therefore, we do not feel that this corrective transfer is necessary.

Conclusion - Response accepted.

II-L-07 Local Option Sales and Service Tax Expenditures - According to the District's revenue purpose statement, local option sales and service tax money may only be spent for new construction and procurement of sites, renovation projects for District buildings or payments for retirement of District debt. Since the revenue purpose statement does not state that local option sales and service tax money can be spent for Physical Plant and Equipment Levy type expenditures according to Chapter 298.3 of the Code of Iowa, the following Capital Projects Fund expenditures are inappropriate.

We noted during our audit, purchases of sixteen folding chairs for \$317.28, fifty work station desks for \$460.74, computer purchases of \$23,723.09 and two bus purchases for \$134,412. These expenditures, which are not allowable according to the District's revenue purpose statement, are inappropriate from the Capital Projects Fund.

Recommendation - The District should review the revenue purpose statement to determine allowable expenditures from the Capital Projects Fund.

The District should make a corrective transfer to the Capital Projects Fund from the General Fund for \$778.02 for the costs of the folding chairs and desks.

The District should make a corrective transfer to the Capital Projects Fund for \$23,723.09 for the computer equipment purchases. The Physical Plant and Equipment Levy has a restriction of \$500 per unit of equipment. Since the computer purchases were over the \$500 per unit of equipment restriction the District may make the corrective transfer for the computer equipment purchases from either the Physical Plant and Equipment Levy Fund or the General Fund.

The District should make a corrective transfer to the Capital Projects Fund from either the Physical Plant and Equipment Levy Fund or the General Fund for \$134,412 for the costs of the two buses.

Response - The necessary corrective transfers will be made.

Conclusion - Response accepted.